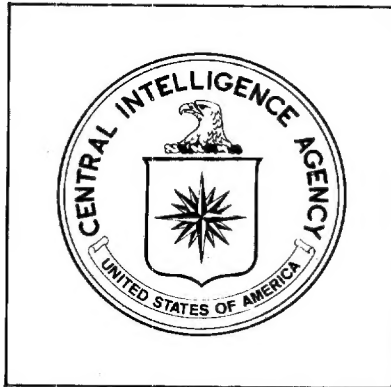


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STAFF NOTES:

Soviet Union Eastern Europe

State Department review completed

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SOVIET UNION - EASTERN EUROPE

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Soviets Eager To Conclude
European Security Conference

The Soviets have taken pains to reassure Western delegations to the European Security Conference that Moscow is eager to conclude this stage of the talks as soon as possible so that a summit level finale can be held. The Soviets were apparently making a special effort during the first week of the resumed talks to dispel any sense of uncertainty caused by cancellation of the US-Soviet trade agreement and rumors of Brezhnev's health problems.

A member of the Soviet delegation praised a recent *New York Times* article that cited a US official's statement that the final stage of the security conference could be held between June and September. The Soviet called it the "best possible" help the US could provide in bringing the conference to a speedy conclusion. The US delegation believes the Soviets view the *Times* article as an authoritative US government position, pointing to summit-level conclusion in July.

Believing that the negotiations are going their way, the Soviets are holding firm on the still sizable number of outstanding issues. During the past week, a Soviet representative said his country had "reached the limit of its possibilities" on military-related confidence-building measures, such as the size of military maneuvers requiring notification, amount of advance notification and geographic area to be covered by these provisions. On the sensitive issues of humanitarian cooperation, or "freer-movement"--including foreign radio broadcasts, and libraries and reading rooms in foreign countries--the Soviets dismissed Western proposals as unacceptable and blandly advised the West to withdraw them.

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As in previous negotiating rounds, the Soviets will probably make only the minimum concessions necessary to keep the conference moving--and these at the last possible moment and with as many escape clauses as possible. During the last round, for example, the Soviets came close to obtaining Western acceptance of language stating that agreements on humanitarian improvements would be subject to "mutually acceptable conditions." The Soviets presumably are aware that some Western delegations are lukewarm about confidence-building measures and that the willingness of the West to prolong the conference in order to battle for substantive principles appears to be waning.

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Yugoslavia: Nonalignment

Tanjug's senior military commentator has forcefully restated Yugoslavia's determination to remain free from military ties with any bloc. The statement was broadcast in Russian to the Soviet Union on Sunday.

Dusan Dozet, a Yugoslav army lieutenant-colonel general, used recent allegations in Austrian newspapers about a major Soviet troop buildup in Yugoslavia as a springboard to denounce all illusions that Belgrade's commitment to nonalignment is wavering. Hinting broadly that the newspapers are disseminating disinformation, Dozet said that the lies must be challenged lest their repetition be accepted for fact.

Dozet went on to defend nonalignment as the core of Yugoslavia's defense strategy, known as all-peoples defense. Asserting that this strategy is more than an ideological pipedream, Dozet said all-peoples defense is a reality that will be "turned against anyone" who threatens Yugoslav independence..."big or small, strong or weak, geographically near or distant."

The Yugoslavs rarely broadcast such lectures to the USSR, and there is no clear motive for this one. It does, however, reflect the viewpoint of the vast majority of Yugoslav officers. Dozet--as a former official of the party organization in the military and the ex-chief of the strategic studies faculty of the Yugoslav staff college--has a legitimate claim to speak for the Yugoslav military.

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Hungary Does Not Want MFN Now

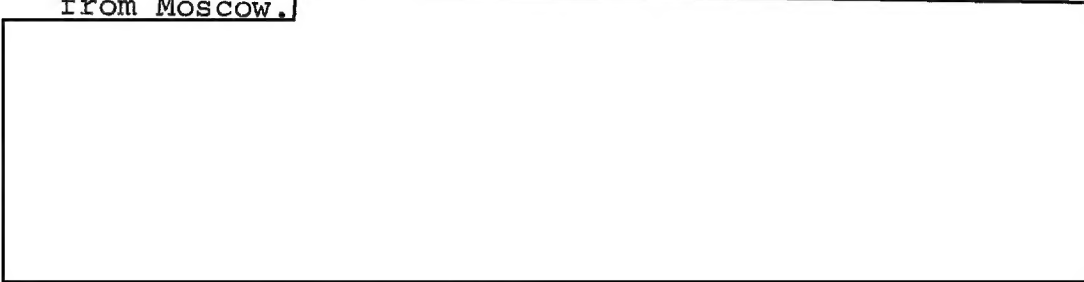
Following the recent Soviet lead, the Hungarians have said they are not prepared to accept most-favored-nation status under present conditions.

Josef Varkonyi, head of the Foreign Ministry department that oversees relations with the US, told an embassy officer that Washington should not now propose negotiation of an economic agreement to implement most-favored-nation status. He said that a US request would elicit a decisive "no" from Budapest, something the Hungarians wish to avoid. Varkonyi said that Budapest had decided to "sweat this out" and only hoped that a new US trade bill would be approved sooner, rather than later. He added philosophically that Hungary had waited for MFN for almost two years and was prepared to wait some more.

The Hungarian decision raises the question of whether Budapest will continue payments under the claims agreement concluded in 1972. The next installment is due in March, but the Hungarians could take advantage of the supplemental language, which links payments to progress towards MFN, to back out. Varkonyi professed uncertainty about what the Hungarian decision might be. He asserted that the Foreign Ministry would have to do considerable spadework in high party circles to counter what he called considerable skepticism regarding US determination to improve relations with Hungary. Another Hungarian, who participated in the claims negotiations, said there would be a good deal of arguing, but that Budapest would make the payment.

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The situation may prompt a high-level review of Hungarian-US relations. The Hungarians have recently been pressing for movement on such long-standing issues as the return of the Crown of St. Stephen, but how tough they get will depend in large measure on how Budapest reads the signals from Moscow.



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Bucharest Reports Renunciation
of US-Soviet Trade Agreement

On January 23, the Romanians broke ten days of silence to report Moscow's renunciation of the 1972 US-Soviet trade agreement, but they have still not provided their own editorial commentary.

The current issue of *Lumea*, Bucharest's foreign affairs weekly, presents no more than selective items from Tass. By this ploy, *Lumea* was able to avoid blaming "anti-detente forces" in Washington for the Kremlin's action and, unlike some of Moscow's allies elsewhere in East Europe, to refrain from warning of adverse consequences. Instead, Bucharest stressed those Soviet statements that imply that Moscow is still willing to pursue detente and to expand economic relations with the West. Both of these policies are fundamental in the Romanian leadership's own brand of national communism.

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